

# Conservation Reserve Program (CRP): Status and Issues

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## Summary

The Conservation Reserve Program (CRP) provides payments to agricultural producers to take highly erodible and environmentally sensitive land out of production and install resource conserving practices for 10 or more years. CRP was first authorized in the Food Security Act of 1985 (P.L. 99-198, 1985 farm bill) and is administered by the U.S. Department of Agriculture's (USDA's) Farm Service Agency (FSA) with technical support from other USDA agencies. Participants offer land for enrollment through two types of sign-up: general and continuous. General sign-ups are competitive and only open during select times. Continuous sign-ups are not competitive, always open for enrollment, and offer additional financial incentives to those who qualify. Continuous sign-ups are targeted to specific environmental and resource concerns and operate through a number of initiatives. The largest and most well-known is the Conservation Reserve Enhancement Program (CREP), which partners with states to address agricultural-related environmental concerns in specific geographic regions. While the majority of current acres enrolled were under general sign-ups (19.7 million acres), an increasing number are enrolled under continuous sign-ups (5.8 million acres).

The Agricultural Act of 2014 (2014 farm bill, P.L. 113-79) reauthorized CRP and reduced the enrollment cap from 32 million acres to 24 million acres by FY2018. The 2014 farm bill made several changes centered on permitted activities. Emergency harvesting, grazing, and other use of forage are permitted, in some cases, without a reduction in rental rate, as well as livestock grazing for a beginning farmer or rancher. Other approved activities, such as annual or routine grazing, may continue to require a reduction in rental rate. The Grassland Reserve Program (GRP) was repealed in the 2014 farm bill. Grassland contracts, similar to what was repealed under GRP, are now eligible under CRP. The 2014 farm bill also allows CRP participants the opportunity to terminate their contract early if the land has been enrolled longer than five years and it does not contain environmentally sensitive practices.

A number of factors have impacted CRP enrollment recently, mainly high commodity crop prices. These strong prices have encouraged farmers to put CRP acres, even marginal acres, back into production. This pressure could potentially reduce the number of CRP acres offered for reenrollment once they have expired or cause existing current CRP participants to seek an early release from their CRP contract. Some participants also have cited a potentially low CRP rental rate compared to the market rental rate as a reason for decreased enrollment interest. Despite these factors, enrollment has increased under continuous sign-ups and demand for the program, in general, still exceeds the current enrollment level.

CRP has contributed to a number of environmental benefits including reduced soil erosion, improved water quality through wetlands and field buffers, reduced fertilizer use, and increased wildlife habitat. The recent expiration of a number of acres from the program, and a reduced reenrollment, has some concerned that a number of the environmental benefits gained under CRP could be lost or reduced if land is returned to production.

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The Conservation Reserve Program (CRP) is the largest federal, private-land retirement program in the United States. The program provides financial compensation for landowners to voluntarily remove land from agricultural production for an extended period (typically 10 to 15 years) for the benefit of soil and water quality improvement and wildlife habitat.

The program was first authorized in the Food Security Act of 1985 (1985 farm bill, P.L. 99-198), initially as both a supply management tool for removing land from agricultural production, thus lowering commodity supply and potentially raising prices, and for providing environmental benefits. Currently, close to 25.6 million acres are enrolled in the program with total funding of approximately \$2 billion annually.

Acres enrolled in CRP have shown a number of positive environmental benefits including reduced soil erosion; water quality improvements through vegetative cover, buffer strips, and reduced fertilizer application; and wildlife population improvement from increased habitat. While a number of natural resource improvements are attributed to the program, the program contains a number of controversial elements as well, including the economic and environmental effect of permitted activities, such as haying and grazing on CRP acres and the reduction of enrolled acres due to high crop prices and farm bill reauthorization. Program and funding authority for CRP was reauthorized and extended through FY2018 by the Agricultural Act of 2014 (2014 farm bill, P.L. 113-79).

## How CRP Works

The program is administered by the Farm Service Agency (FSA) at the U.S. Department of Agriculture (USDA), with technical support from the Natural Resources Conservation Service (NRCS) and other USDA agencies.

### Enrollment

Enrollment is limited to no more than 27.5 million acres at any given time in FY2014.<sup>1</sup> There are two main types of enrollment into CRP: general sign-up and continuous sign-up. Several continuous sign-up “initiatives” focus enrollment on specific resource concerns or conservation practices.

### General Sign-Up

CRP is a competitive program, in which landowners offer eligible land for enrollment into the program. A general sign-up is a specific period of time during which FSA accepts these offers. Offers are ranked according to an Environmental Benefits Index (EBI, see text box) to determine the relative environmental benefits for the land offered.

#### Environmental Benefit Index (EBI)

Following the 1990 farm bill (P.L. 101-624), CRP was required to consider the environmental benefits of the

<sup>1</sup> Amendments in the 2014 farm bill reduces the enrollment cap to 26 million in FY2015, 25 million in FY2016, and 24 million in FY2017 and FY2018.

For each general sign-up, FSA collects data on each of the EBI factors and ranks all eligible offers across the country. After the sign-up ends, USDA determines an EBI threshold. Acceptance for enrollment into CRP is extended to offers that scored above the EBI threshold. This threshold varies by sign-up depending on the offers received. Producers generally try to maximize EBI points and increase the likelihood that their offer will be accepted for enrollment.

As of July 2014, 19.7 million acres were enrolled in CRP under general sign-up contracts, or 77% of total CRP acres. This includes 262,417 contracts on 177,983 farms.<sup>3</sup> During the most recent general sign-up (#45), USDA accepted 1.68 million acres offered for enrollment starting October 1, 2013.

On June 4, 2014, USDA announced that contract holders of eligible FY2014 expiring contracts will qualify for a one-year extension. A general sign-up is not scheduled for FY2014.<sup>4</sup>

### Continuous Sign-Up

Continuous sign-up is designed to enroll the most environmentally desirable land into CRP through specific conservation practices or resource needs. Unlike the general sign-up process, land offered under continuous sign-up may be enrolled at any time and is not subject to competitive bidding. If offers meet certain eligibility requirements then they are automatically accepted. Contracts are effective the first day of the month following the month of approval and typically include additional financial incentives.

Continuous sign-up includes a number of initiatives that target acres with specific resource concerns or support additional conservation practices. These are described in **Appendix A**. As of July 2014, 5.75 million acres were enrolled in CRP under continuous sign-up, or 23% of total CRP acres. This includes 1.6 million enrolled through the two statutorily created sub-programs—

land offered for enrollment. The formulation of the EBI has changed over time, including becoming more transparent to participants. Generally, the EBI is a standardized way to compare different land types with different resource needs across the country. The EBI is designed to compare the benefits that offered land can provide.

Presently, FSA collects data for each of the EBI factors for the land offered. These factors are weighted and scored based on the land's potential to generate the desired environmental benefits. Some factors are made up of sub-factors (listed in parentheses). The most recent general sign-up (#45) included the following factors and weights:<sup>2</sup>

- **Wildlife Factor** evaluates the expected wildlife benefits of the offer (wildlife habitat cover benefits, wildlife enhancement, and wildlife priority zones): 10-100 points
- **Water Quality Benefits Factor** evaluates the potential impact that the offer may have on both ground and surface water quality (location, ground water quality, and surface water quality): 0-100 points
- **Erosion Factor** evaluates the potential for the land to erode from wind or water and is measured using an erodibility index: 0-100 points
- **Enduring Benefits Factor** evaluates the likelihood for certain practices to remain in place beyond the CRP contract period (weighted average for all practices): 0-50 points
- **Air Quality Benefits Factor** evaluates the air quality improvements made by reduced particulate matter and increased carbon sequestration (wind erosion impacts, wind erosion soils list, air quality zones, and carbon sequestered): 3-45 points
- **Cost** of environmental benefits per dollar expended (cost of the offer and how much the offer is below the maximum payment rate): 0-25 points.

<sup>2</sup> USDA, FSA, *Conservation Reserve Program Sign-Up 45 Environmental Benefits Index (EBI)*, Fact Sheet, February 2013, [http://www.fsa.usda.gov/Internet/FSA\\_File/su45ebifactsheet.pdf](http://www.fsa.usda.gov/Internet/FSA_File/su45ebifactsheet.pdf).

<sup>3</sup> USDA, FSA, *Conservation Reserve Program*, Monthly Summary, July 2014.

<sup>4</sup> U.S. Department of Agriculture, "USDA Announces Programs to Conserve Sensitive Land and Help Beginning Farmers," press release, June 4, 2014, <http://www.usda.gov/wps/portal/usda/usdahome?contentidonly=true&contentid=2014/06/0112.xml>.

the Conservation Reserve Enhancement Program (CREP, 1.3 million acres) and Farmable Wetland Program (FWP, 339,673 acres).<sup>5</sup> The remaining 4.2 million acres were enrolled in other continuous sign-up initiatives.

## Eligibility

### Producer/Landowner

To be eligible for CRP enrollment, a producer must be an owner, operator, or tenant of the land for at least 12 months prior to the close of the CRP sign-up period, and show control of the land for the duration of the contract. The land may be eligible if owned for less than 12 months and if (1) the land was acquired due to the previous owner's death; (2) the ownership change occurred due to foreclosure where the owner exercised a timely right of redemption in accordance with state law; or (3) adequate assurances are made that the new owner did not acquire the land for the purpose of placing it in CRP.<sup>6</sup>

### Land

For land to be eligible for CRP, USDA may consider the following land types for enrollment:<sup>7</sup>

- highly erodible cropland that (1) if untreated could substantially reduce the land's future agricultural production capability or (2) cannot be farmed in accordance with a conservation plan;<sup>8</sup> and has a cropping history or was considered to be planted for four of the six years preceding February 7, 2014 (except for land previously enrolled in CRP);
- marginal pasture land devoted to appropriate vegetation for water quality purposes;
- grasslands that (1) contain forbs or shrubland on which grazing is the predominant use; (2) are located in an area historically dominated by grasslands; and (3) could provide habitat for ecologically significant animal and plant populations if restored or retained in its current condition.
- cropland that is otherwise ineligible, if it is determined that (1) if permitted to remain in agricultural production, it would contribute to the degradation of soil, water, or air quality; (2) the land is a newly created, permanent grass sod waterway, or a contour grass sod strip; (3) the land will be devoted to newly established living snow fences, permanent wildlife habitat, windbreaks, shelterbelts, or filterstrips or riparian buffers devoted to trees or shrubs; (4) the land poses an off-farm environmental threat; or (5) enrollment of the land would facilitate a net savings in groundwater or surface water resources; or
- certain land enrolled as a riparian buffer or for similar water quality purposes.

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<sup>5</sup> Both CREP and the farmable wetlands programs were reauthorized in the 2014 farm bill and are discussed in the **Appendix A**.

<sup>6</sup> 7 C.F.R. 1410.5. Producers must also meet broader eligibility requirements related to adjusted gross income limits (not more than \$900,000) and compliance requirements.

<sup>7</sup> 16 U.S.C. 3831(b).

<sup>8</sup> Refers to a conservation plan developed under the highly erodible land conservation provisions. For additional information, see CRS Report R42459, *Conservation Compliance and U.S. Farm Policy*, by Megan Stubbs.

## Payments

In exchange for enrollment into CRP, participants receive payments from USDA. These payments offset the cost of temporarily retiring the land from production and implementing resource-conserving and wildlife-promoting practices. A number of payment types under CRP are highlighted in **Table 1**.

The authorizing statute establishes the maximum number of acres that can be enrolled in the program at any one time.<sup>9</sup> The program is authorized to spend such sums as necessary to enroll up to the maximum level of allowable acres. This funding is mandatory (i.e., not subject to annual appropriations) and is provided through the borrowing authority of the USDA's Commodity Credit Corporation (CCC). In total, the average annual federal cost for CRP is close to \$2 billion. The majority of this cost is annual rental payments, which average \$63.65 per acre, but can vary greatly by location.<sup>10</sup>

**Table 1. CRP Payments**

Payment Type	Description	Limit	Sign-up Type
Rental Payment	Annual payment to participants. Based on soil productivity for each county and the average dryland case rental rate.	\$50,000 annually for any person or legal entity	general and continuous sign-up
Cost-share Payment	Payment for a percentage of installing or establishing an eligible practice.	No more than 50% of the actual or average cost of establishing the practice.	general and continuous sign-up
Maintenance Incentive Payment	Reimburses participants for the average annual cost of certain practice maintenance.	\$5 per acre per year	certain continuous sign-up practices
One-time Sign-up Incentive Payment (SIP)	One-time incentive payment made to participants that enroll certain practices.	\$10 per acre per year enrolled (not to exceed 10 years)	certain continuous sign-up practices.
One-time Practice Incentive Payment (PIP)	One-time incentive payment for eligible installation costs for certain practices	40% of the eligible cost of practice installation	certain continuous sign-up practices.
Other Financial Incentive	Additional incentives, as part of annual rental payments, for windbreaks, grass waterways, filter strips, and riparian buffers	Up to 20% of the annual rental payment	certain continuous sign-up practices.

**Sources:** 16 U.S.C. 3834, 7 C.F.R. 1410.40-1410.42, and USDA, FSA, *Conservation Reserve Program Continuous Sign-Up*, Fact Sheet, July 2010, [http://www.fsa.usda.gov/Internet/FSA\\_File/crp\\_contsignup\\_072610.pdf](http://www.fsa.usda.gov/Internet/FSA_File/crp_contsignup_072610.pdf).

## Practices

Producers have a number of conservation practices to consider for installation on their land when enrolling in CRP. The selection of practices is part of the voluntary enrollment process and is determined by the landowner, with assistance from USDA, while developing a CRP offer. Once an offer is accepted for enrollment, the participant must develop a conservation plan of operation, which serves as a guide for which practices will be used, where, and for how long. Once the plan is approved and the contract signed by the participant, the land is considered enrolled in CRP.

<sup>9</sup>27.5 million in FY2014, 26 million in FY2015, 25 million in FY2016, and 24 million in FY2017 and FY2018., 16 U.S.C. 3831(d).

<sup>10</sup> For example, the highest average rental payment per acre for a state (for all CRP sign-ups) is in Massachusetts at \$207.20/acre. Only 10 acres are enrolled in Massachusetts. The lowest is in Wyoming at \$26.57/acre. The state with the most acres enrolled—Texas at 3.2 million acres—averages \$36.78/acre for rental payments.



Certain continuous sign-up initiatives require specific conservation practices for enrollment. The most widely applied conservation practices are described in **Table 2**.

**Table 2. Top Five Conservation Practices Installed on CRP Acres**  
(current as of July 2014)

Practice Code	Practice Description	Acres Enrolled	Leading States
CP2	Establishment of permanent native grasses	6,753,649	Texas, Colorado, Kansas
CPI0	Already established vegetative cover (grasses and legumes)	4,289,400	Texas, Colorado, Montana
CPI	Establishment of permanent introduced grasses and legumes	3,370,780	Missouri, Montana, Washington
CP4D	Permanent wildlife habitat	2,126,750	Colorado, North Dakota, Kansas
CP25	Rare and declining habitat	1,708,108	Kansas, Nebraska, Minnesota

**Source:** USDA, FSA, *Conservation Practices Installed on CRP (acres), Cumulative*, July 2014.

**Note:** Based on total acres enrolled in practices for all sign-up types.

## Current Issues

### Farm Bill Reauthorization

The 2014 farm bill reauthorized CRP and reduced the enrollment cap from 32 million acres to 24 million acres by FY2018. While CRP enrollment has fluctuated since its creation in the 1985 farm bill, recent enrollment has declined from its peak in FY2007 of 36.8 million acres to 25.6 million acres in FY2013. Reduced enrollment is thought to be a product of high commodity prices, low rental rates, and declining interest in retiring land from production. Further reduction in the farm bill was viewed as inevitable given the fiscal challenges. Conservation and wildlife groups, however, remain concerned that reduced enrollment will impact critical species habitat and soil and water quality. The 2014 farm bill enrollment reduction created an estimated savings of \$3.3 billion over 10 years.

A number of programmatic changes centered around permitted activities. Emergency harvesting, grazing, and other use of forage are permitted, in some cases, without a reduction in rental rate, as well as livestock grazing for a beginning farmer or rancher. Other approved activities, such as annual or routine grazing, may continue to require a reduction in rental rate (discussed further in the “Harvesting and Grazing” section below). The Grassland Reserve Program (GRP) was repealed in the 2014 farm bill. Grassland contracts, similar to what was repealed under GRP, are now eligible under CRP. The 2014 farm bill also allows CRP participants the opportunity to terminate their contract early if the land has been enrolled longer than five years and it does not contain environmentally sensitive practices. A detailed analysis of the programmatic changes may be found in **Appendix B**. An analysis of the full farm bill reauthorization debate may be found in CRS Report R43504, *Conservation Provisions in the 2014 Farm Bill (P.L. 113-79)*.

### Harvesting and Grazing

Harvesting and grazing became a major concern beginning in the summer of 2012. A prolonged drought and flooding in parts of the Midwest had livestock owners requesting access to land enrolled in CRP for forage harvesting and grazing. While USDA did allow emergency harvesting

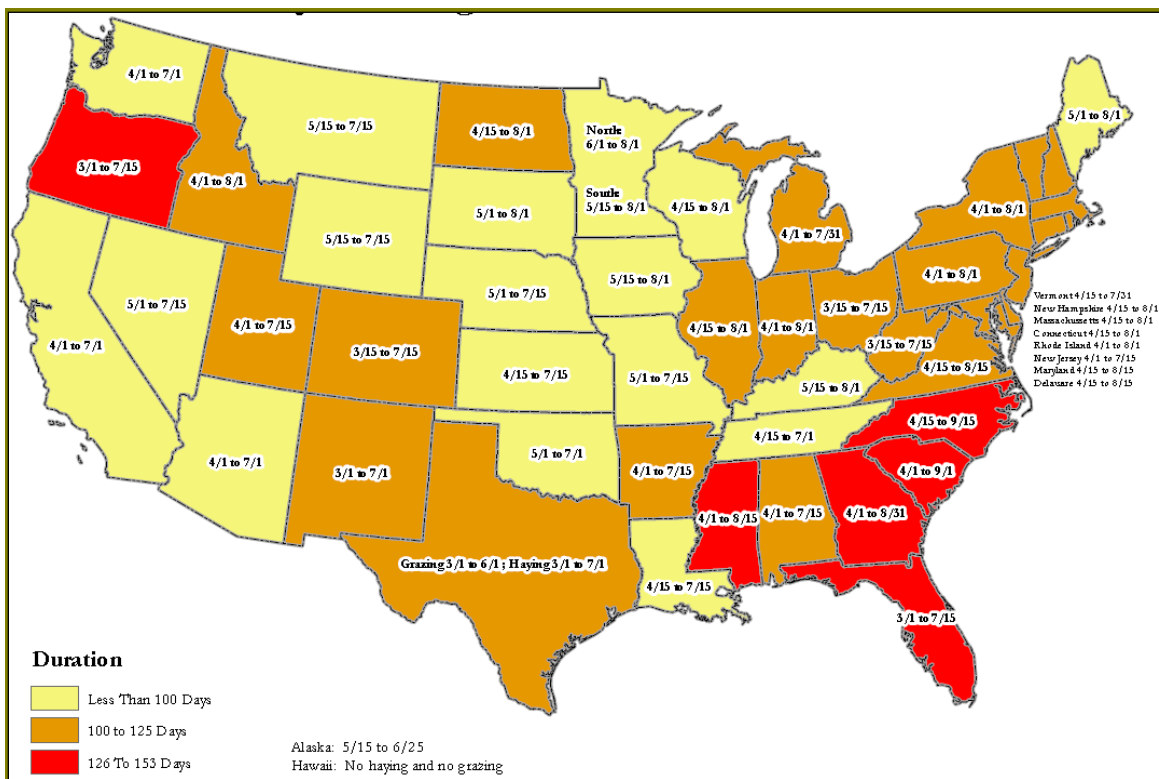
and grazing under CRP, annual rental rates were reduced due to the statutory requirement that payments be reduced commensurate with the economic value of the authorized activity. Historically, this reduction ranged between 10% and 25% of the annual rental payment.

Following amendments made in the 2014 farm bill, harvesting and grazing are still permitted on CRP land under certain conditions. The amendments expand these opportunities by reducing or eliminating payment penalties and incorporating elements of the repealed Grassland Reserve Program (GRP) into grassland contracts. In some cases, environmentally sensitive land is ineligible for harvesting and grazing and most have restrictions during primary nesting season (**Figure 1**). Now rate reductions for permitted activities are as follows:

- **Forage in response to drought, flooding, or other emergency**—no reduction in rental rates.
- **Authorized activities consistent with soil conservation, water quality, and wildlife habitat; managed harvesting; and commercial use (including biomass harvesting)<sup>11</sup>**—not less than a 25% reduction in annual rental rates for acres covered by the activity. To occur at least every five years but not more than once every three years.
- **Annual prescribed grazing for invasive species control**—not less than a 25% reduction in annual rental rate, subject to nesting season restrictions.
- **Routine grazing**—not less than a 25% reduction in annual rental rate, subject to nesting season restrictions, vegetation management requirements and stocking rates, and limited to not more than once every two years (accounting for regional differences).
- **Wind turbine installation**—not less than a 25% reduction in annual rental rate, subject to nesting restrictions and limitations on the number and location of the turbines.
- **Seasonal use of vegetative buffer practices**—no reduction in rental rates assuming the permitted use does not damage the permanent vegetation.
- **Livestock grazing by a beginning farmer or rancher**—no reduction in rental rates, providing the grazing is consistent with soil conservation, water quality, and wildlife habitat; nesting season; control of invasive species; or routine grazing.

<sup>11</sup> Includes vegetation management requirements and restricted periods of application. Both requirements are developed in consultation with State Technical Committees.

**Figure I. Primary Nesting Season Dates and Duration:  
Limitation on CRP Harvesting and Grazing Activities**



**Source:** USDA, FSA, DAFP, PECD, CAB, June 10, 2013, *Primary Nesting Season Dates and Duration*, [http://www.fsa.usda.gov/Internet/FSA\\_File/mapnesting062013.pdf](http://www.fsa.usda.gov/Internet/FSA_File/mapnesting062013.pdf).

The 2014 farm bill repealed GRP and incorporated elements of the program into CRP. GRP included two enrollment types—contracts and easements.<sup>12</sup> GRP contracts limited future development and cropping uses of the land and retained the right to conduct common grazing practices and operations related to the production of forage and seeding.<sup>13</sup> A number of similar activities associated with grasslands are now permitted under CRP. These include common grazing and maintenance practices; haying, mowing, or harvesting for seed production (subject to nesting season); fire suppression, rehabilitation, and breaks; and fencing and livestock watering. Grassland enrollment is limited to no more than 2 million acres between FY2014 and FY2018 as part of the overall program.

Recent droughts have fueled questions about the reduction of CRP acres. It is unclear what level of relief to livestock is achieved through the emergency harvesting and grazing during drought or if there is any long-term impact on wildlife habitat. Other questions remain, including, if fewer acres are enrolled in CRP for conserving uses, or if enrollment were limited to more sensitive land that would not support harvesting and grazing, what impact would this have on livestock

<sup>12</sup> The easement portion of GRP was incorporated into the new Agricultural Conservation Easement Program established in the 2014 farm bill. The repeal does not affect the validity or terms of any GRP contract or easement entered into prior to the date of enactment (February 7, 2014) or any associated payments required to be made in connection with an existing contract or easement.

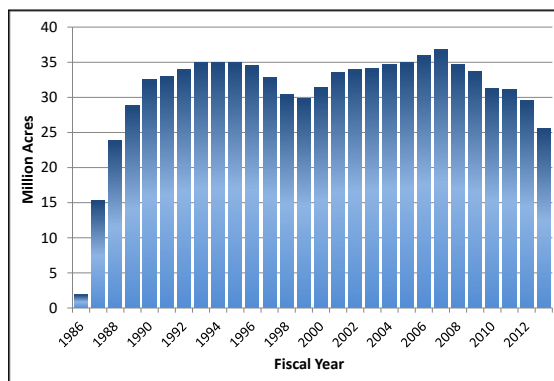
<sup>13</sup> Activities were subject to certain restrictions during nesting seasons of bird species that were in significant decline or were protected under Federal or State law. All participants were required to operate under an approved grazing management plan.

times of prolonged drought? Is the role of CRP to provide drought relief or is that beyond the scope of the program? What are the positive and negative effects of harvesting and grazing, whether managed or in the event of emergency, that might impact wildlife, plant quality, and erosion control?

## Enrollment

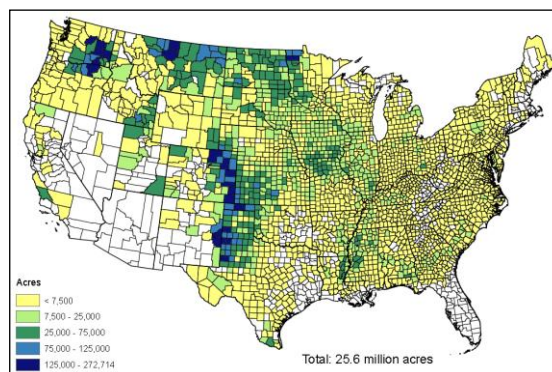
The nature of CRP enrollment has changed since the program's inception in the 1985 farm bill. Program priorities have shifted, total acres enrolled have fluctuated (see **Figure 2** and **Figure 3**), farming technologies have advanced, and producer preferences have changed. Many of these changes are cited as the reason for further reducing the level of CRP acres enrolled in the 2014 farm bill.

**Figure 2. Cumulative CRP Enrollment**  
(acres by fiscal year)



**Sources:** USDA, FSA, *Conservation Reserve Program—Cumulative Enrollment by Year (Acres)*, [http://www.fsa.usda.gov/Internet/FSA\\_File/historystate8612.xls](http://www.fsa.usda.gov/Internet/FSA_File/historystate8612.xls) and CRP October 2013 Monthly Summary.

**Figure 3. CRP Enrollment**  
(acres enrolled as of November 2013)



**Source:** USDA, FSA/EPAS/NRA, *CRP Enrollment—November 2013*, [http://www.fsa.usda.gov/Internet/FSA\\_File/crpenrollmentnov2013.pdf](http://www.fsa.usda.gov/Internet/FSA_File/crpenrollmentnov2013.pdf).

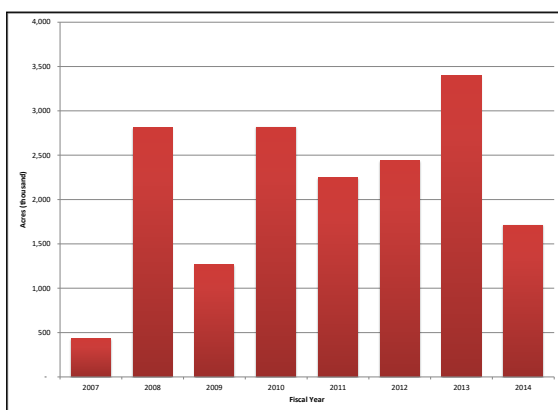
## Expiration and Reenrollment

CRP contracts vary in length, though most are 10 years in duration. At the end of a contract, the participant may either seek reenrollment into the program (via a general or continuous sign-up, if eligible) or let the contract expire. This 10-year cycle resulted in more than 16 million acres enrolled in 1997 potentially expiring all at once in 2007. To stagger this expiration process, USDA offered two- to five-year reenrollment and extension contracts in 2006 to contacts expiring between 2007 and 2010 (27 million acres). While approximately 83% of those offered accepted these extensions (23 million acres), over 8.5 million acres expired from the program during that time.

The 45<sup>th</sup> general sign-up in 2013 recorded 1.57 million acres of the 1.68 million acres deemed acceptable. Acceptable acres had an EBI score of 209 and above and an average rental rate of \$64/acre. Approximately 3.3 million acres under CRP contract (both general and continuous) were scheduled to expire on September 30, 2013. Following the FY2013 general sign-up and continuous sign-ups, 1.7 million acres left CRP on October 1, 2013, either through contract expiration or attrition. An estimated 2 million acres are scheduled to expire at the end of FY2014. Between FY2007 and FY2014, over 17.1 million CRP acres under contract have expired and were

not reenrolled in the program (**Figure 3**). The majority of these acres in FY2013 are located in the central part of the United States, which also has the largest number of acres enrolled (**Figure 5** and **Figure 3**). The number and location of these acres concerns some program advocates because of the potential loss of environmental benefits, particularly migratory and grassland bird habitat.

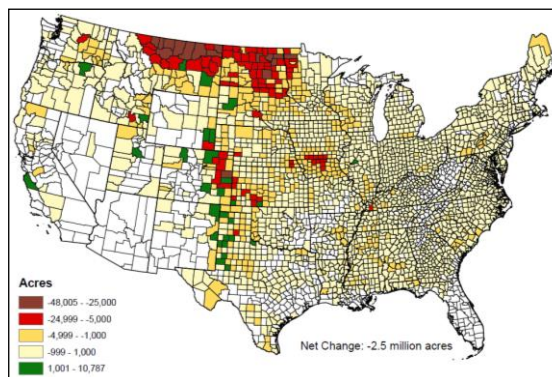
**Figure 4. CRP Acres Not Reenrolled and Lost Through Attrition, FY2007-FY2014**



**Source:** USDA, FSA, *Changes in CRP Acres from 2007 to October 2014 by State*, [http://www.fsa.usda.gov/Internet/FSA\\_File/acresstate2007102013.xls](http://www.fsa.usda.gov/Internet/FSA_File/acresstate2007102013.xls).

**Notes:** Annual sum of expiring land that was not reenrolled and land lost through attrition. FY2014 land may be cropped in the 2014 crop year.

**Figure 5. Change in CRP Enrollment Between September and October 2012**



**Source:** USDA, FSA, EPA, NRA, *CRP Change in Enrollment from September to October 2012*, [http://www.fsa.usda.gov/Internet/FSA\\_File/acresmapseptoct2012.pdf](http://www.fsa.usda.gov/Internet/FSA_File/acresmapseptoct2012.pdf).

**Notes:** Contracts expire September 30; most new contracts begin October 1.

Under the 1985 farm bill, CRP was initially authorized to enroll up to 45 million acres between crop years 1986 and 1990. USDA did not reach this enrollment cap and subsequent farm bills reduced the authorized level of enrollment.<sup>14</sup> CRP enrollment reached its peak in 2007 with 36.8 million acres. The 2008 farm bill reduced the enrollment cap to 32 million acres and the 2014 farm bill continues this reduction to 24 million acres by FY2018. This reduction in enrollable acres will further reduce the opportunity for reenrollment of expiring acres under contract and any new general sign-up would be relatively small.

## Contract Termination and Early Release

Under current law, a producer wishing to terminate a CRP contract early faces a penalty of full repayment, with interest, of all the funds already paid to the producer, including any cost-share payments and other financial incentives, plus a fee of 25% of rental payments received. Although the Secretary of Agriculture always has the authority to release land from CRP without penalty, this option has not been commonly used. In program history, this option has been exercised twice—in 1995 and 1996—when acres were allowed a voluntary, penalty-free early release in order to enroll more environmentally sensitive cropland. In both cases, environmentally sensitive acres were not released and certain restrictions applied to acres returning to production or harvesting and grazing. In addition to the Secretary's discretion, an early-out provision has been

<sup>14</sup> The 1996 farm bill (P.L. 104-127) lowered the enrollment cap to a total of 36.4 million acres through CY2002. The 2002 farm bill (P.L. 107-171) increased the enrollment cap total to 39.2 million acres through CY2007.

in statute since the 1996 farm bill, but only applied to CRP contracts in effect before January 1, 1995. The 2014 farm bill amended this provision to allow for a one-time early release in FY2015, but requirements of the old provision remain, including:

- land cannot be devoted to filterstrips, waterways, strips adjacent to riparian areas, windbreaks, and shelterbelts,
- land cannot have an erodibility index of 15,
- rental payments must be prorated for the year of termination,
- land is still eligible for future CRP contracts, and
- land is still subject to conservation compliance requirements.

Section 2006 of the 2014 farm bill expands this provision to allow CRP contract holders to terminate prior to the contract's expiration in FY2015 if the contract has been in effect for at least five years and meets additional eligibility requirements. Specifically, in addition to the existing requirements above, the land is considered *ineligible* if it is

- devoted to hardwood trees,
- wildlife habitat, duck nesting habitat, pollinator habitat, upland bird habitat buffer, wildlife food plots, State acres for wildlife enhancement, shallow water areas for wildlife, and rare and declining habitat,
- a farmable wetland and restored wetland,
- land that contains diversions, erosion control structures, flood control structures, contour grass strips, living snow fences, salinity reducing vegetation, cross wind trap strips, and sediment retention structures
- located within a federally designated wellhead protection area,
- covered by an easement under CRP,
- located within an average width, according to the applicable NRCS field office technical guide, of a perennial stream or permanent water body, and
- enrolled under CREP.

Generally, most conservation and wildlife organizations are opposed to this penalty-free early-out option, however, they believe the additional restrictions on ineligible land could minimize the overall impact.<sup>15</sup>

## Rental Rates

CRP rental payments are based on two main factors: the county average rental rate and soil productivity. The county average rental rate uses the National Agricultural Statistics Service's (NASS's) survey of county average rental rates for cropland and pastureland.<sup>16</sup> Soil productivity is based on a Natural Resources Conservation Service (NRCS) calculation that uses data of the local soil, landscape, and climate to determine the ability of the land to produce crops on non-irrigated soil. The average CRP rental payment rates are as follows: \$51.09 per acre for general

<sup>15</sup> National Wildlife Federation, *2014 Farm Bill Conference Report Analysis*, 2014, p. 3, [http://www.nwf.org/~media/PDFs/wildlife/farm%20%20bill/NWF-2014-Farm-Bill-Analysis\\_final.pdf](http://www.nwf.org/~media/PDFs/wildlife/farm%20%20bill/NWF-2014-Farm-Bill-Analysis_final.pdf).

<sup>16</sup> The 2014 farm bill amended the requirement that NASS conduct a survey no less than once a year on county average market dryland and irrigated cash rental rates. USDA may use the survey estimates relating to dryland cash rental rates when determining annual rental rates.



sign-up, \$97.25 per acre for non-CREP continuous sign-up, \$136.70 per acre for CREP continuous sign-up, and \$111.70 per acre for farmable wetlands.<sup>17</sup>

Rental rates for CRP contracts became an important issue to some producers when commodity prices began to rise in 2008. Commodity prices have remained high, causing producers to claim that CRP rental rates are significantly lower than the producers could get by renting their land out for production. On the other hand, contracts are for 10 or more years and could be viewed as long-term investments rather than reactions to short-term commodity price fluctuation.

### *Economic Research Service Study*

If rental rates are set too low, producers might decline to enroll their land, or, if already enrolled, they might decline to renew their contracts at expiration. A 2011 study by the Economic Research Service (ERS) at USDA modeled the effect of increasing commodity prices on CRP enrollment.<sup>18</sup> The study suggested that maintaining CRP under its current configuration could lead to program cost increases. When constraints were placed on increasing rental rates, the study suggested that enrollment goals could be met with moderate increases in the CRP rental rates. The latter scenario might mean that enrollment goals could be met, but at the cost of applying a lower EBI, as producers with profitable, but environmentally sensitive, acreage choose not to enroll.

If crop prices remain high and enrolling environmentally sensitive land continues to be a program priority, then finding the level of rental payments that encourages enrollment and keeps the cost of the program acceptable to policy makers might continue to be an issue.

### *Office of the Inspector General Report*

In July 2012, the USDA Office of Inspector General (OIG) issued a report on the use of CRP rental rates.<sup>19</sup> The report concluded that for the 39<sup>th</sup> general sign-up in 2010, FSA (1) did not use the most recent NRCS soil productivity factors; and (2) allowed states and counties to propose alternate rates that did not adhere to its own policies for reviewing and approving the alternate rates.<sup>20</sup> OIG accepted two of the four agency responses to its recommendations. The two responses that it found unacceptable concerned the use of the most recent NRCS productivity data and establishing procedures for approving alternate county average rental rates. It is unclear what follow-up action, if any, will be taken by FSA to address the remaining concerns.

### **Increases in Enrollment**

Despite the potential limiting factors affecting CRP enrollment, the number of acres enrolled under continuous sign-ups, including for the Conservation Reserve Enhancement Program (CREP, see **Appendix A**), has increased. Continuous sign-ups allow landowners to enroll land in certain high priority practices in exchange for additional financial incentive. As of July 2014,

<sup>17</sup> USDA, FSA, *Conservation Reserve Program - Monthly Summary*, Washington, DC, July 2014.

<sup>18</sup> Daniel Hellerstein and Scott Malcolm, *The Influence of Rising Commodity Prices on the Conservation Reserve Program*, USDA, ERS, Economic Research Report number 110, February 2011.

<sup>19</sup> USDA, OIG, *Farm Service Agency, Conservation Reserve Program - Soil Rental Rates*, Audit Report 03601-0051-Te, July 2012.

<sup>20</sup> For example, “of the 687 proposed alternate rates it received, FSA’s national office approved 686, even though it determined the majority (669 of 687) of the proposals contained evidence to support the alternate rates to be less than strong.” Under the 41<sup>st</sup> general sign-up, a total of 271 proposals were submitted for alternate county average rental rates. According to OIG, one official approved 150 rates—105 exceeded the NASS rate and 45 were lower than the NASS rate. Ibid.

almost 5.8 million acres (23%) were enrolled through continuous sign-up, an increase of 2.2 million acres since 2007. The additional financial incentive under continuous sign-up could offset the potential gap between CRP rental payments and local rental rates to enroll more environmentally sensitive acres. More contracts and farms are enrolled under continuous sign-ups (409,713 and 239,033, respectively) than for general sign-ups (262,417 and 177,983, respectively).<sup>21</sup> Continuous sign-up enrollment represents a fraction of the total CRP acreage because, in general, these enrollments involve only a small portion of a farmer's total acreage.

## Tax Status of Payments

Since the inception of CRP, the Internal Revenue Service (IRS) has issued a number of rulings, notices, and opinions on whether CRP rental payments are regarded as income from the "trade or business"<sup>22</sup> of farming and therefore subject to self-employment taxes of 15.3%. For years, the IRS generally treated CRP payments as farming income (subject to the self-employment tax) when received by someone who was engaged in the trade or business of farming, or as rental income (not subject to self-employment tax) when received by others (e.g., investors, heirs, and absentee landowners).<sup>23</sup>

The IRS recently changed its position, stating that by entering into a CRP contract the participant is in the trade or business of farming and therefore CRP payments are subject to the self-employment tax.<sup>24</sup> This was upheld in the courts in the 2013 U.S. Tax Court ruling of *Morehouse v. Commissioner*.<sup>25</sup> In the *Morehouse* decision, the Tax Court ruled in favor of the IRS, stating that the CRP participant (Morehouse) was in the business of maintaining "an environmentally friendly farming operation," making CRP payments subject to self-employment taxes. The decision is currently on appeal in the Eighth Circuit U.S. Court of Appeals.

The *Morehouse* decision concerns many producers and conservation advocates. Conservation groups fear that the tax will discourage CRP participation and possibly encourage contract cancellations. Others fear that the 15.3% tax will lower the value of CRP land. Some also argue that *Morehouse* could have broader implications for investor income, including cash rent landowners or possibly stock investors.<sup>26</sup>

## Environmental Benefits

The greatest concern over a reduced level of CRP acres is a reduced level of environmental benefits. Since its inception, research has shown that CRP has contributed to reduced levels of soil erosion, water quality improvement, and wildlife habitat development. While these benefits vary across the country, some conclude that without CRP there could be additional environmental

<sup>21</sup> USDA, FSA, *Conservation Reserve Program*, Monthly Summary, October 2013, [http://www.fsa.usda.gov/Internet/FSA\\_File/oct2013summary.pdf](http://www.fsa.usda.gov/Internet/FSA_File/oct2013summary.pdf).

<sup>22</sup> 26 U.S.C. 1402(a) excludes "rentals from real estate" from the definition of "net earnings from self-employment," which includes the gross income derived by an individual from any "trade or business" carried out by the individual, less deductions.

<sup>23</sup> An exemption was created in the 2008 farm bill (P.L. 110-246) which provides a statutory exemption from self-employment taxes provided for CRP payment recipients who are also collecting Social Security or disability payments (Section 15301 of P.L. 110-246).

<sup>24</sup> C.C.A. 2003-25-002 (May 29, 2003) and I.R.S. Notice 2006-108, 2006-51 I.R.B. 1118.

<sup>25</sup> *Morehouse v. Commissioner*, 140 T.C. No. 16 (2013).

<sup>26</sup> Roger A. McEowen, *U.S. Tax Court Says Non-Farmer's CRP Income is Subject to Self-Employment Tax*, Center for Agricultural Law and Taxation, Ames, IA, June 20, 2013, <http://www.calt.iastate.edu>.



degradation from agricultural production.<sup>27</sup> **Table 3** includes a list of conservation practices applied on CRP land that is set to expire from the program between FY2015 and FY2017. It is unknown how many of the practices would expire as a result of acres not reenrolling in CRP due to the reduced number of authorized acres. It is also unknown whether these practices would be maintained without a CRP contract. Landowners may choose to continue these practices voluntarily or through other federal, state, or local assistance. In large part, the majority of practices that could be lost if allowed to expire would be grasslands, both native and introduced species, new and existing plantings.

**Table 3. Top 10 Expiring CRP Conservation Practices**  
(By expiring year in total acres applied)

Practice Code	Practice Description	2015	2016	2017
Total Expiring Acres		1,674,088	1,195,403	2,647,137
CP01	Introduced grasses and legumes	135,100	106,925	188,275
CP02	Native grasses	488,526	316,164	283,793
CP03H	Hardwood trees	59,385	5,388	31,800
CP04D	Permanent wildlife habitat	127,960	120,415	119,064
CP10	Existing grasses and legumes	164,116	81,697	1,353,896
CP11	Existing trees	39,479	36,817	112,723
CP21	Filter strips-grass	108,748	114,998	95,129
CP22	Riparian buffers	113,686	137,180	110,529
CP23	Wetland restoration	96,512	26,808	29,702
CP25	Rare and declining habitat	130,978	58,277	17,944

**Source:** CRS, developed from USDA, FSA data, April 2012.

According to FSA, since 2002, CRP has reduced soil erosion by 325 million tons from pre-CRP levels each year. Since the program's inception in 1986, CRP has reduced more than 8 billion tons of soil erosion. Through FY2010, CRP has enrolled more than 2 million acres in wetlands and over 2 million in buffers. Other annual conservation benefits include an equivalent of approximately 52 million metric ton net reduction in carbon dioxide (CO<sub>2</sub>) from sequestration, reduced fuel use and nitrous oxide emissions avoided from no fertilizer use; more than 2 million acres of wildlife habitat established; and a reduction of about 607 million pounds of nitrogen and 122 million pounds of phosphorus.<sup>28</sup> From a wildlife perspective, it is estimated that CRP land produces over 13.5 million pheasants and 2.2 million ducks each year through habitat availability.<sup>29</sup>

<sup>27</sup> JunJie Wu and Bruce Weber, *Implications of a Reduced Conservation Reserve Program*, The Council on Food, Agriculture & Resource Economics, July 2012.

<sup>28</sup> USDA, FSA, *The Environmental Benefits of the Conservation Reserve Program*, United States—2010, July 2011, [http://www.fsa.usda.gov/Internet/FSA\\_File/united\\_states.pdf](http://www.fsa.usda.gov/Internet/FSA_File/united_states.pdf).

<sup>29</sup> National Wildlife Federation, *Maintaining Benefits of Expiring CRP*, <http://www.nwf.org/Wildlife/Policy/Farm-Bill/Farm-Bill-Success-Stories/Success-Expiring-CRP.aspx>.

## Conclusion

The 113<sup>th</sup> Congress reauthorized CRP as part of the farm bill, but reduced the acreage cap to achieve a cost savings. Other pressures from high crop prices, increased demand for land, and the potentially low rental rates could also impact the program's ability to enroll the most desirable acres in the future. Despite these challenges, supporters encourage maintaining CRP enrollment because of the numerous environmental gains achieved by the program, including improved water quality, soil health, and wildlife species habitat. Balancing the cost of maintaining such benefits with the cost of the program could continue to be a challenge for Congress.

## Appendix A. Continuous Sign-Up Initiatives

Continuous sign-up is designed to enroll the most environmentally sensitive land into CRP through specific conservation practices or resource needs. Continuous sign-up includes a number of initiatives that target acres with specific resource concerns or support additional conservation practices. These are described below.

### Conservation Reserve Enhancement Program (CREP)

Initially implemented in 1997, CREP is a joint federal-state continuous sign-up program under CRP. CREP targets geographic regions with agricultural-related environmental concerns, such as Maryland's Chesapeake Bay and Florida's Everglades. Some states (e.g., New York and Ohio) have multiple CREP projects, each targeting a different area of the state. Projects are designed to address specific environmental objectives through targeted CRP enrollments. Sign-ups are continuous, non-competitive, and typically provide additional financial incentives beyond annual rental payments and cost-share assistance. There are currently 45 CREP agreements in 33 states.

### Farmable Wetland Program (FWP)

The Farmable Wetland Program (FWP) enrolls farmable or prior converted wetlands into CRP. In exchange for additional financial incentives, landowners agree to restore the hydrology of the wetland, establish vegetative cover, and prohibit development. For land to be considered eligible it must meet one of the following criteria:

- a wetland or converted wetland cropped at least 3 of the immediately preceding 10 crop years;
- a constructed wetland that receives flow (surface and subsurface) from a row crop agriculture drainage system and is designed to provide nitrogen removal in addition to other wetland functions;
- land in a commercial pond-raised aquaculture in any year between 2002 through 2007; or
- cropland that was cropped at least 3 of 10 crop years between 1990 and 2002, and is subject to the natural overflow of a prairie wetland.

The enrollment of buffer acreage is also permitted to enhance wildlife benefits. No more than 100,000 acres may be enrolled in FWP in any state<sup>30</sup> and no more than 750,000 acres nationally. The enrollment of wetlands (described under the first and second bullets above) is limited to 40 contiguous acres. "Flooded farmland," or that defined in the fourth bullet above, is limited to 20 contiguous acres, and has a 20-acre limit.

### Transition Incentive Program (TIP)

The 2014 farm bill reauthorized the Transition Incentive Program (TIP) option for expiring CRP contracts. Under TIP land from expiring CRP contracts may be transitioned back into sustainable grazing or crop production by a beginning, veteran, or socially disadvantaged farmer or rancher. The land must be from a retired or retiring owner or operator (not a family member) in exchange for up to two additional years of annual CRP rental payments following the expiration of the CRP

<sup>30</sup> This limit may be increased by USDA to up to 200,000 acres per state.

contract. The program was authorized to spend up to \$33 million between FY2014 and FY2018. This is an increase over the previously authorized \$25 million in the 2008 farm bill.

## Other Initiatives

Several other initiatives under CRP have been developed over time, mostly in response to Administration priorities. **Table A-1** includes a list of recent initiatives and their enrollment size.

**Table A-1. CRP Initiatives**

Initiative	Year Started	Allocation (acres)	Current Enrollment (acres) <sup>a</sup>
Floodplain Wetlands	2004	600,000	245,073
Bottomland Hardwood Trees	2004	250,000	93,922
Non-floodplain and Playa Wetlands	2005	350,000	264,824
Upland Bird Habitat Buffers	2005	500,000	243,738
Longleaf Pine Plantings	2007	250,000	119,927
Duck Nesting Habitat	2007	300,000	236,987
State Acres for Wildlife Enhancement (SAFE)	2008	1,250,000	845,837
Highly Erodible Land	2012	750,000	149,707
Pollinator Habitat	2012	100,000	5,499

**Source:** USDA, FSA, *Conservation Reserve Program, Monthly Summary*, July 2014, [http://www.fsa.usda.gov/Internet/FSA\\_File/julysummary14.pdf](http://www.fsa.usda.gov/Internet/FSA_File/julysummary14.pdf).

**Notes:** The 2014 farm bill limits the payment amount for thinning activities to no more than 150% of the total cost.

- a. Cumulative acres as of July 2014. Excludes lands enrolled in CREPs. Includes new and re-enrolled acreage under contracts that start in FY2015 (October 1, 2014).

## Appendix B. CRP Provisions in the 2014 Farm Bill

**Table B-1** compares CRP provisions in the Agricultural Act of 2014 (P.L. 113-79) and prior law. U.S. Code citations are included in brackets in the ‘Prior Law’ column. Corresponding section numbers in P.L. 113-79 are included in brackets in the ‘Enacted 2014 Farm Bill’ column.

**Table B-1. CRP Amendments in the 2014 Farm Bill Compared to Prior Law**

Prior Law	Enacted 2014 Farm Bill (P.L. 113-79)
<i>General Provisions</i>	
Sec. 1231(a-b) of the Food Security Act of 1985 (FSA) (P.L. 99-198, or the 1985 farm bill), as amended, authorizes the CRP through FY2013. CRP provides annual rental payments to producers to replace crops on highly erodible and environmentally sensitive land with long-term resource conserving plantings. [16 U.S.C. 3831(a-b)]	Extends authorization through FY2018. Adds grasslands to list of eligible lands, which is consistent with the consolidation of Grassland Reserve Program (GRP) rental agreements under CRP (also see Duties of the Secretary, Sec. 1233 of FSA). Amends eligible land definition for land not enrolled in CRP to include filterstrips and land enrolled in other conservation practices. [Sec. 2001(a-b)]
Sec. 1231(c) of the FSA, as amended, determines the planting status of certain land. [16 U.S.C. 3831(c)]	Deletes language allowing land enrolled in the Water Bank Program and CRP cropland expiring in CY2000-CY2002 to be enrolled. [Sec. 2001(c)]
Sec. 1231(d) of the FSA, as amended, authorizes the maximum acreage enrollment levels; the program is authorized through FY2013 to enroll up to 32 million acres. [16 U.S.C. 3831(d)]	Reduces enrollment to 27.5 million acres in FY2014; 26 million acres in FY2015; 25 million acres in FY2016; 24 million acres in both FY2017 and FY2018. Within the total CRP acreage cap, grassland enrollment is limited to 2 million acres between FY2014-FY2018. Gives expiring CRP acres priority enrollment for grassland contracts. Grassland sign-up is continuous with one or more ranking periods. [Sec. 2001(d)]
Sec. 1231(e) of the FSA, as amended, defines the duration of contracts. [16 U.S.C. 3831(e)]	Amends language for land devoted to hardwood trees, shelterbelts, windbreaks, or wildlife corridors to allow flexible contract lengths beyond the current 10-15 years. [Sec. 2001(e)]
Sec. 1231(f) of the FSA, as amended, lists conservation priority areas as the Chesapeake Bay Region, the Great Lakes Region, and Long Island Sound. Watersheds with significant adverse water quality or habitat impacts related to agricultural production activities are eligible for priority designation. The areas' designation expires after 5 years or upon application of the state. [16 U.S.C. 3831(f)]	Deletes the watershed-specific language, but retains the use of conservation priority areas as determined by USDA. [Sec. 2001(f)]
<i>Farmable Wetlands Program</i>	
Sec. 1231B(a-f) of the FSA, as amended, authorizes a pilot program for up to 1 million acres of wetland and buffer acreage in CRP. [16 U.S.C. 3831b]	Renames the pilot program “Farmable Wetlands Program.” Reauthorizes the program through FY2018, and clarifies language related to constructed wetlands receiving water from agricultural drainage. Reduces acreage limitation from 1 million acres to 750,000 acres. [Sec. 2002]

Prior Law	Enacted 2014 Farm Bill (P.L. 113-79)
<p><i>Duties of Owners and Operators</i></p> <p>Sec. 1232(a)(8) of the FSA, as amended, establishes approved use of harvesting, grazing, and wind turbine use on CRP acres. Approved activities require a reduction in rental rate payments commensurate with the economic value of the authorized activity. <b>[16 U.S.C. 3832(a)(8)]</b></p> <p>Sec. 1232(b &amp; d) of the FSA, as amended, requires a conservation plan on all CRP acres and reduces rental payment for certain authorized uses. <b>[16 U.S.C. 3832(b &amp; d)]</b></p>	
<p><i>Duties of the Secretary</i></p> <p>Sec. 1233 of the FSA, as amended, specifies the duty of USDA to make cost-share payments and rental payments. <b>[16 U.S.C. 3833]</b></p>	
<p><i>Payments</i></p> <p>Sec. 1234 of the FSA, as amended, establishes a framework for calculating annual rental payments. <b>[16 U.S.C. 3834]</b></p>	
	<p>Deletes language related to harvesting, grazing, and wind turbine use on CRP acres and adds similar language under the Duties of the Secretary section (Sec. 1233 of FSA). <b>[Sec. 2003(a)]</b></p> <p>Amends conservation plan language by removing possible base acre retirement. Deletes rental payment reduction requirement for certain authorized activities and adds similar language under the Duties of the Secretary section (Sec. 1233 of FSA). <b>[Sec. 2003(b-c)]</b></p>
	<p>Deletes the current section and adds new section that includes the approved use language from Duties of Owners and Operators section above (Sec. 1232 of FSA). In return for a CRP contract the Secretary must make cost-share and rental payments. Certain permitted activities are allowed if consistent with an approved conservation plan and are subject to restrictions for nesting birds that are economically significant, in decline, or conserved by law. Emergency harvesting, grazing, and other use of forage is permitted without a reduction in rental rate. Livestock grazing for a beginning farmer or rancher is permitted without a reduction in rental rate. Other certain permitted activities (harvesting, grazing, and wind turbines) are permitted in exchange for not less than a 25% reduction in rental rates. Grazing, harvesting, and fire suppression is permitted on enrolled grasslands. In exchange for a reduced rental rate, a landowner may install land improvement practices up to one year before the CRP acres expire. This land may not reenroll in CRP for five years. <b>[Sec. 2004]</b></p>
	<p>Specifies that tree and shrub maintenance cost share payments are limited to between 2 and 4 years beginning on the date of planting. Adds the requirement that incentive payments be limited to no more than 150% of the cost of thinning or other practices conducted. Amends rental payment calculation to include grassland contracts for not more than 75% of the grazing value. Adds the requirement that NASS conduct a rental rate survey no less than once a year. Dryland cash rental rates may also be used as a factor for determining annual rental rates. Deletes language allowing for in-kind commodities as a form of CRP payment. Payments must be made in cash and may be in advance of performance determinations. <b>[Sec. 2005]</b></p> <p><b>Sec. 2601(a)</b> includes a limit of \$10 million for thinning activities between FY2014-FY2018.</p>

Prior Law	Enacted 2014 Farm Bill (P.L. 113-79)
<i>Contract Requirements</i>	
<p>Sec. 1235(e) of the FSA, as amended, allows owners and operators to terminate a contract entered into before January 1, 1995, at any time if the contract has been in effect for at least 5 years. Land with filterstrips, waterways, strips adjacent to riparian areas, windbreaks, shelterbelts, erodibility index of more than 15, and other land of high environmental value (e.g., wetlands) are not eligible for early release. The contract termination becomes effective 60 days after the participant's notice. Rental payments are prorated and conservation compliance requirements remain in effect. <b>[16 U.S.C. 3835(e)]</b></p>	<p>Allow owners and operators to terminate their CRP contracts in FY2015 if the contract has been in place for at least 5 years. Adds to the list of excepted land, including land with: hardwood trees, wildlife habitat, duck nesting habitat, pollinator habitat, upland bird habitat buffer, wildlife food plots, State Acres for Wildlife Enhancement (SAFE), shallow water areas for wildlife, rare and declining habitat, farmable wetlands, restored wetlands, diversions, erosion control structures, flood control structures, contour grass strips, living snow fences, salinity reducing vegetation, cross wind trap strips, sediment retention structures, federally designated wellhead protection areas, an easement under CRP, and average width of a perennial stream or permanent water body, and a CREP contract. Terminations become effective upon approval. <b>[Sec. 2006(a)]</b></p>
<p>Sec. 1235(f) of the FSA, as amended, facilitates the transfer of CRP acres from a retiring owner to a beginning/socially-disadvantaged producer to return land to production, and allows new owner to begin land improvements or start organic certification process one year before CRP contract expires. <b>[16 U.S.C. 3835(f)]</b></p>	<p>Adds "veteran farmer or rancher" as eligible individuals for the transition option, in addition to beginning farmer or rancher. Specifies that approved land improvements include preparing to plant an agricultural crop. <b>[Sec. 2006(b)]</b></p> <p>Reauthorizes and increases the limit on the CRP transition option to \$33 million for FY2014-FY2018. <b>[Sec. 2601(a)]</b></p>
<p>No comparable provision</p>	<p>Adds a provision allowing landowners to enroll in the Conservation Stewardship Program (CSP) and conduct activities required under CSP in the final year of the CRP contract without violating the terms of the contract. Also allows USDA to terminate or modify a CRP contract if eligible land is transferred into the Agricultural Conservation Easement Program (ACEP). <b>[Sec. 2006(c)]</b></p>
<p>Sec. 1235A of the FSA, as amended, allows land enrolled in CRP before enactment of the 1990 farm bill (P.L. 101-624, November 28, 1990) to convert vegetative cover to hardwood trees or restored wetlands <b>[16 U.S.C. 3835a]</b></p>	<p>Repeals provision. <b>[Sec. 2007]</b></p>
<p>No comparable provision.</p>	<p>Provides transition language stating that changes made by the 2014 farm bill do not affect the validity or terms of existing contracts. Allows CRP participants to update their current contract to reflect the new terms and conditions under the Sec. 2004—permitted activities. <b>[Sec. 2008]</b></p>
<i>Funding</i>	
<p>Sec. 1241(a)(1) of the FSA, as amended, allows the use of funds, facilities, and authorities of the Commodity Credit Corporation to carry out CRP. Limits payments for thinning activities to \$100 million between FY2009-FY2013 and payments for the transition assistance (see <b>Sec. 1235(f)</b> above) to \$25 million for FY2009-2013. <b>[16 U.S.C. 3841(a)(1)]</b></p>	<p>Reduces limit for incentive activities (see <b>Sec. 2005</b>) to \$10 million between FY2014-FY2018 and increases limit for transition assistance (see <b>Sec. 2006</b>) to \$33 million between FY2014-FY2018. <b>[Sec. 2601(a)]</b></p>

**Source:** CRS.

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